Headquarters U.S. Air Force

Housing Privatization Portfolio Management Program

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AFCEE/HP
Deputy Housing Privatization
AFCEE

1 May 2012

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What is Privatized Housing?

- **A public-private partnership between the Air Force and private developers to provide military families access to quality homes**
  - **Taps private sector housing expertise**
  - **Air Force focuses on its mission**
  - **Saves taxpayers $$**
    - **Homes are built, owned, and managed by housing experts**
    - **Faster and lower cost than traditional methods**
  - **Typically involves replacement or renovation of old Military Family Housing (MFH) units**

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Desired Outcomes

- Sense of military community
- 50-year sustainable deals
- Place where service members choose to live
- Little or no out-of-pocket costs
- Homes grouped by officer/enlisted in community setting
- Secure communities
- Community activities centered around ancillary facilities -- playgrounds, sports courts, community center
- Modern quality standards

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Summary… It works

- The Air Force privatization process works
  - Sized for Air Force installation requirements
  - Ensures USAF receives the services expected in the deal
  - Provides controls to ensure success for 50 years
  - Seeing positive results in existing projects
- Program Results
  - Private Sector ~ $7.4B for 43,999 new/upgraded homes
  - Government investment of $470.65M
  - Government MILCON equivalent ~ $8.3B
- Program continues to provide quality homes for Airmen and families faster and cheaper than MILCON

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Portfolio Management Program

- **Established program with corporate real estate vision**
  - **Risk Management – identify and prioritize issues**
  - **Performance Assessment – operational/financial metrics analysis/reporting**
  - **Problem Resolution – integrating public/private best practices**
  - **Investment Management – protecting land & loans**
  - **AF portfolio is a multi-family operation made up mostly of single-family & duplex residential units**

Portfolio Management Program

- Centralized
- Consistent standards and reporting
- Independent oversight
- Early identification of issues
- Communication of lessons learned/best practices
- Timely and relevant information provided to key stakeholders
- Program continuity

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Oversight and Monitoring

- **Air Force has transferred ownership of assets to a private entity and is no longer "in control" of the assets**
  - **For the benefit of the Airmen, the Air Force continues to participate in ensuring the success of the project portfolio management**
  - **The Air Force continues to monitor the financial health of the project as well**
- **Commanders' role becomes one of monitoring and advocacy for the military families**

It is in our best interest that the private owner be successful!

Oversight and Monitoring

- Government monitoring involves
  - <u>Advocating for the needs of the military families!</u>
  - Ensuring owner compliance with terms
  - Knowing rights and obligations in transaction documents
  - Monitoring financial and operating parameters
  - Verifying distribution of funding per business agreements
  - Identifying and addressing barriers to project objectives
  - Working with developer to improve service
  - Monitoring tenant satisfaction
  - Continuing oversight for term of the lease (50

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Reasons for Government Monitoring

- Members and families are tenants
- Government investment in project
- Government land lease
- Property reverts to Air Force control at lease end
- Air Force reports to various government stakeholders, including Congress

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Goals & Objectives

Our Goal:

To proactively and systematically manage post-closing risks and issues associated with military housing privatization to ensure long-term program success

Our objectives:

- **Resident satisfaction with housing**
- **Enhancement and preservation of housing throughout the life of the project**
- **Mitigation of risks to the project**
- **Successful completion of project development**
- **Sound financial management**

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AFCEE Delegated Responsibilities

- Housing Privatization Program
  - Fiduciary Responsibilities
  - Oversight and Evaluation
  - Reporting
  - Document Management
  - Problem Resolution
- Project Decisions
  - Lockbox Disbursements
  - Project Budget Approval
  - Project Document Amendments and Modifications
  - Letters of Delegated Authority to Installations/MAJCOMs
  - Insurance Modifications
  - Cure Notices
  - Change of Bondholder Representative/Property Management Firm/Lockbox Agent

HP, coming to a base near you

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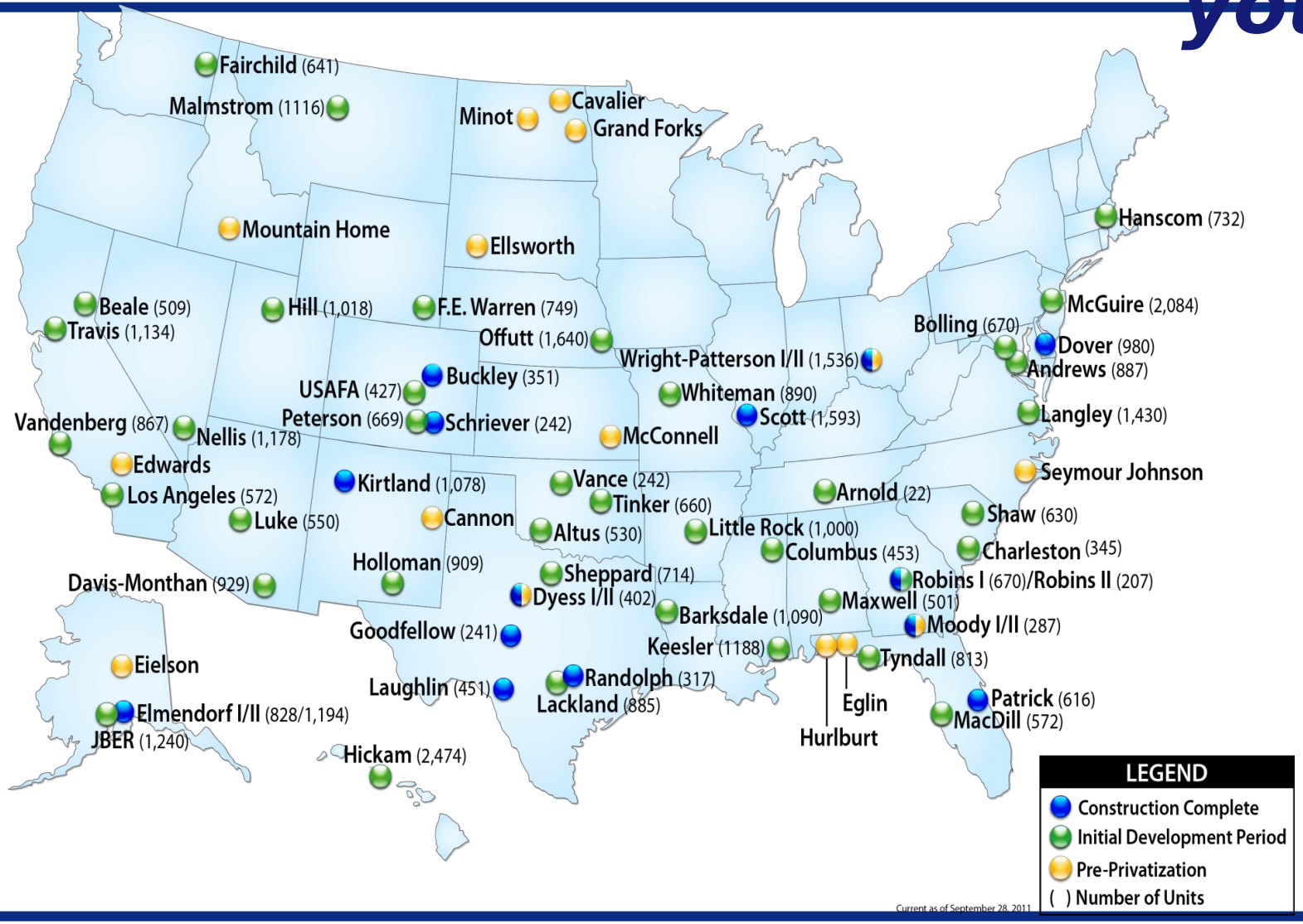

The Air Force Roles

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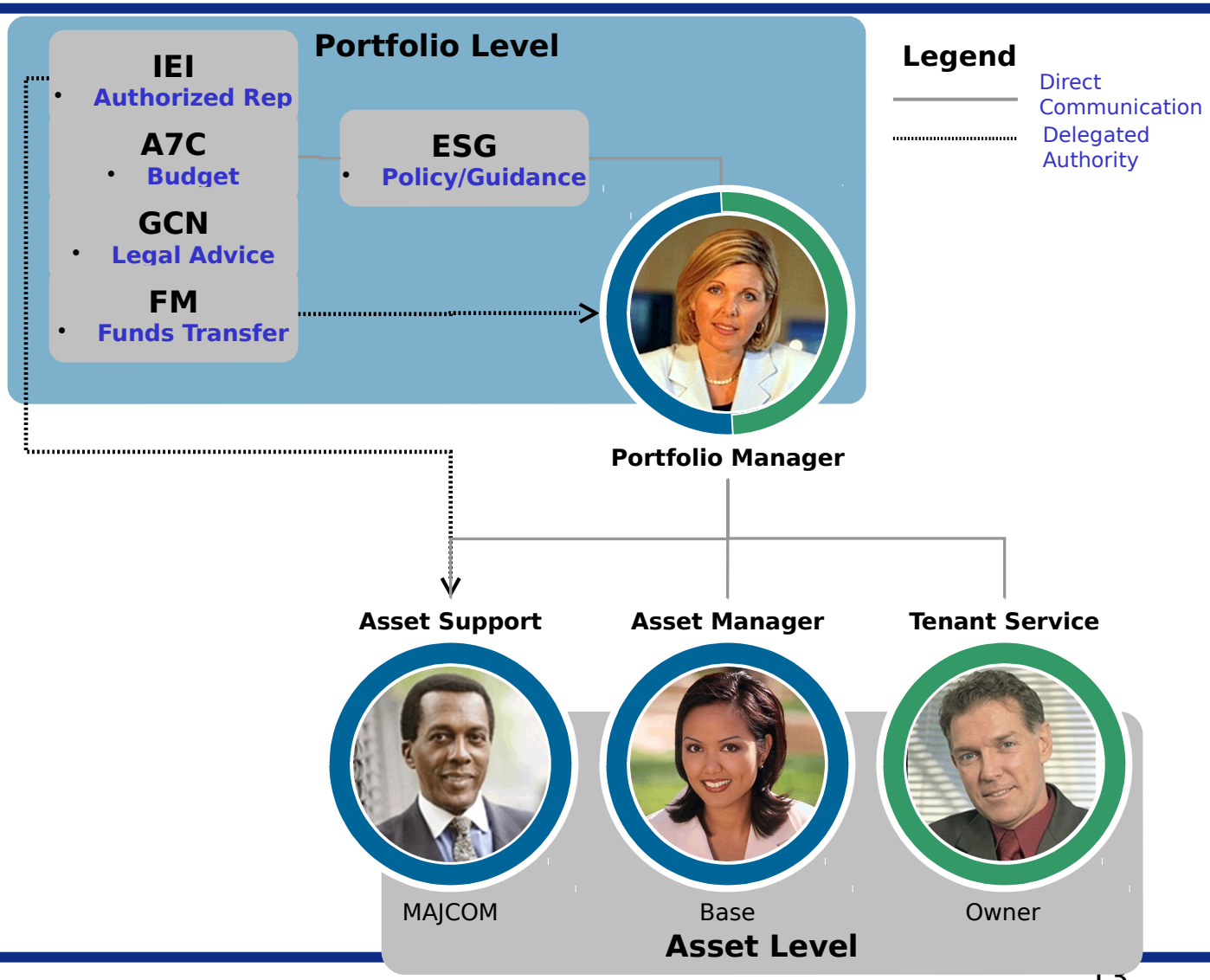

Portfolio Management

The Long Road Ahead

- Serving Our Families
- Project Viability/Financial Health
- Compliance

50 years